

CALHOUN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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CALHOUN COUNTY

OFFICIALS

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Larry Hood	Board of Supervisors	Jan. 2007
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2009
Gary Nicholson	Board of Supervisors	Jan. 2009
Judy Howrey	County Auditor	Jan. 2009
Lori Erkenbrack	County Treasurer	Jan. 2007
Mary Minnick	County Recorder	Jan. 2007
William A. Davis	County Sheriff	Jan. 2009
Cynthia Voorde	County Attorney	Jan. 2007
Joan Wagner	County Assessor	Jan. 2010

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2009
Gary Nicholson	Board of Supervisors	Jan. 2009
Scott Jacobs	Board of Supervisors	Jan. 2011
Judy Howrey	County Auditor	Jan. 2009
Lori Erkenbrack	County Treasurer	Jan. 2011
Kathy Bennett	County Recorder	Jan. 2011
William A. Davis	County Sheriff	Jan. 2009
Cynthia Voorde	County Attorney	Jan. 2011
Joan Wagner	County Assessor	Jan. 2010

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Calhoun County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, on our consideration of Calhoun County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 19, 2008

Henzelman, Putzai & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenue of Calhoun County's governmental activities decreased 3%, or \$435,734, from fiscal 2006 to fiscal 2007. Charges for services decreased \$1,623,462, operating grants and contributions increased \$1,249,455, property tax increased \$439,120, and unrestricted investment earnings increased \$132,926. Capital grants and contributions decreased \$554,216, primarily because of a decrease in capital assets contributed by the Iowa Department of Transportation.
- Program expenses of Calhoun County's governmental activities were 0.8 %, or \$87,100, more in fiscal 2007 than in fiscal 2006.
- Calhoun County's net assets increased 7.6 %, or \$1,053,238, from June 30, 2006, to June 30, 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Self Funding Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Calhoun County's combined net assets for fiscal year 2007 totaled approximately \$14.8 million, increasing from \$13.8 million for fiscal year 2006. The analysis that follows focuses on the changes of the net assets of governmental activities.

<u>Net Assets of Governmental Activities</u>		
	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$11,828,096	\$11,606,528
Capital assets	<u>9,936,956</u>	<u>9,135,395</u>
Total assets	<u>21,765,052</u>	<u>20,741,923</u>
Long-term liabilities	851,442	925,105
Other liabilities	<u>6,069,755</u>	<u>6,026,201</u>
Total liabilities	<u>6,921,197</u>	<u>6,951,306</u>
Net assets		
Invested in capital assets	9,936,956	9,135,395
Restricted	3,353,693	2,884,459
Unrestricted	<u>1,553,206</u>	<u>1,770,763</u>
Total net assets	<u>\$14,843,855</u>	<u>\$13,790,617</u>

Net assets of Calhoun County's governmental activities increased by \$1,053,238 from fiscal year 2006. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	Year Ended <u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,504,373	\$ 3,127,835
Operating grants, contributions, and restricted interest	5,102,400	3,852,945
Capital grants, contributions, and restricted interest	561,319	1,115,535
General revenues:		
Property tax	4,836,466	4,397,346
Penalty and interest on property tax	33,200	32,587
State tax credits	254,091	250,610
Unrestricted investment earnings	339,078	206,152
Other general revenues	<u>6,946</u>	<u>90,597</u>
Total revenues	<u>12,637,873</u>	<u>13,073,607</u>
Program expenses:		
Public safety and legal services	1,199,199	1,151,249
Physical health and social services	3,225,460	3,181,081
Mental health	1,172,381	1,109,737
County environment and education	585,423	490,606
Roads and transportation	3,576,487	3,491,819
Governmental services to residents	385,375	351,859
Administration	1,186,714	854,207
Non-program	224,007	885,655
Interest on long-term debt	<u>29,589</u>	<u>30,758</u>
Total expenses	<u>11,584,635</u>	<u>11,546,971</u>
Increase in net assets	1,053,238	1,526,636
Net assets beginning of year, as restated	<u>13,790,617</u>	<u>12,263,981</u>
Net assets end of year	<u>\$14,843,855</u>	<u>\$13,790,617</u>

Calhoun County increased property taxes from a total levy of 11.89940 to 11.99786 from fiscal year 2006 to fiscal year 2007 due to projects of \$432,507. The County does not anticipate a substantial change in the rate for fiscal year 2008.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$5,500,979, an increase of \$5,856 above last year's total of \$5,495,123. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$78,594 and expenditures decreased by \$3,056. The General Fund ending balance increased by \$262,951 from the prior year to \$3,371,329. The departments usually spend 90% of their budget trying to have something to work with in case an expenditure arises that was not anticipated. Budget amendments are expensive to the taxpayer with publications costing approximately \$250 each time. The departments try to cover budgeted expenses until close of fiscal year but sometimes things unforeseen or increased costs in a budget causes the need for a budget amendment which is done in May.

- Mental Health revenues increased by \$19,600. Mental health expenditures increased \$60,480. The deficit fund balance at the end of fiscal year 2007 was \$370,300.
- Rural Services Fund ending balance increased \$50,817 from the prior year.
- Secondary Roads Fund revenues decreased \$48,539 and expenditures increased \$249,456. The ending fund balance of \$1,163,686 was a \$95,184 decrease from the prior year.
- Capital Projects Fund expenditures decreased \$296,201 from fiscal year 2006 to fiscal year 2007.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget two times. The first amendment, which was made on December 27, 2006, increased budgeted revenues by \$7,000 and budgeted expenditures by \$25,000. The second amendment, which was made on May 29, 2007, with no increase in revenue but increased budgeted expenditures by \$97,700.

With these amendments, the County did not exceed the amounts budgeted except disbursements in the Medical Examiners department exceeded the amount appropriated.

CAPITAL ASSETS

Capital Assets

At June 30, 2007, Calhoun County had approximately \$9.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	<u>2007</u>	<u>June 30,</u> <u>2006</u>
Land	\$ 470,530	\$ 439,430
Buildings and improvements	1,034,227	959,049
Equipment and vehicles	4,529,643	4,568,388
Construction in progress	1,133,971	1,009,498
Infrastructure, road network	<u>2,768,585</u>	<u>2,159,030</u>
Total	<u>\$9,936,956</u>	<u>\$9,135,395</u>

The County had depreciation expense of \$663,421 in fiscal year 2007, and total accumulated depreciation of \$3,943,211 at June 30, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget and tax rates. One of the factors concerning Calhoun County is the age of the population. The census for 1990 was 11,580 and 2000 was 11,115. The aging population was taken into consideration by the Health Department and the grants that would be the most beneficial concerning this factor.

The county has been in a three year project for a bike trail around Twin Lakes. This project was completed by December 31, 2007.

Budget disbursements are expected to rise because of increased wages, as recommended by the compensation board and approved by the Calhoun County Board of Supervisors, and there will be an increase in the cost of health care benefits.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditor's Office, 416 Fourth St., Ste 1, Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A

Governmental
Activities

ASSETS

Cash and pooled investments	\$ 5,379,427
Receivables:	
Property tax:	
Delinquent, net of \$12,653 allowance	9,637
Succeeding year	4,887,616
Interest and penalty on property tax, net of \$8,163 allowance	18,185
Accounts	148,345
Accrued interest	34,278
Notes	151,750
Due from other governments	489,343
Inventories	636,485
Prepaid insurance	73,030
Capital assets (net of accumulated depreciation)	<u>9,936,956</u>
Total assets	<u>21,765,052</u>

LIABILITIES

Accounts payable	904,163
Salaries and benefits payable	83,371
Due to other governments	124,916
Interest payable	63,549
Deferred revenue:	
Succeeding year property tax	4,887,616
Other	6,140
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	429,616
Portion due or payable after one year:	
Drainage warrants payable	<u>421,826</u>
Total liabilities	<u>6,921,197</u>

NET ASSETS

Invested in capital assets	9,936,956
Restricted for:	
Supplemental levy purposes	1,216,301
Secondary roads purposes	1,004,890
Other purposes	1,132,502
Unrestricted	<u>1,553,206</u>
Total net assets	<u>\$ 14,843,855</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Exhibit B

Functions/Programs	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
Governmental activities:					
Public safety and legal services	\$ 1,199,199	\$ 72,875	\$ 61,666	\$ -	\$ (1,064,658)
Physical health and social services	3,225,460	924,926	1,644,578	-	(655,956)
Mental health	1,172,381	279	773,772	-	(398,330)
County environment and education	585,423	101,119	15,719	-	(468,585)
Roads and transportation	3,576,487	129,812	2,595,689	491,439	(359,547)
Governmental services to residents	385,375	204,621	10,976	-	(169,778)
Administration	1,186,714	70,741	-	-	(1,115,973)
Non-program	224,007	-	-	69,880	(154,127)
Interest on long-term debt	29,589	-	-	-	(29,589)
Total	<u>\$ 11,584,635</u>	<u>\$ 1,504,373</u>	<u>\$ 5,102,400</u>	<u>\$ 561,319</u>	<u>(4,416,543)</u>
General Revenues:					
Property and other county tax					4,836,466
Penalty and interest on property tax					33,200
State tax credits					254,091
Unrestricted investment earnings					339,078
Miscellaneous					6,946
Total general revenues					<u>5,469,781</u>
Change in net assets					1,053,238
Net assets beginning of year					<u>13,790,617</u>
Net assets end of year					<u>\$ 14,843,855</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

Exhibit C

		Special Revenue					Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Conservation Trust	Capital Projects	Special Revenue	Total
ASSETS								
Cash and pooled investments	\$2,651,395	\$ 296,690	\$ 286,508	\$ 517,802	\$ 648,238	\$244,235	\$ 244,027	\$ 4,888,895
Receivables:								
Property tax:								
Delinquent	18,923	2,450	917	-	-	-	-	22,290
Succeeding year	3,205,848	409,959	1,271,809	-	-	-	-	4,887,616
Interest and penalty on property tax	26,348	-	-	-	-	-	-	26,348
Accounts	141,836	506	4,253	-	165	-	1,585	148,345
Accrued interest	33,753	-	-	-	-	-	11	33,764
Notes	151,750	-	-	-	-	-	-	151,750
Due from other governments	465,387	1,506	-	20,479	-	-	1,971	489,343
Inventories	-	-	-	636,485	-	-	-	636,485
Prepaid expenses	114,905	-	6,616	56,875	-	-	-	178,396
Total assets	\$6,810,145	\$ 711,111	\$1,570,103	\$1,231,641	\$ 648,403	\$244,235	\$ 247,594	\$11,463,232
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 123,544	\$ 546,594	\$ 10,747	\$ 46,528	\$ 13,983	\$ 986	\$ 11,781	\$ 754,163
Salaries and benefits payable	61,354	675	-	21,342	-	-	-	83,371
Due to other governments	2,799	121,733	-	85	299	-	-	124,916
Interest payable	-	-	-	-	-	-	63,549	63,549
Deferred revenue:								
Succeeding year property tax	3,205,848	409,959	1,271,809	-	-	-	-	4,887,616
Other	45,271	2,450	917	-	-	-	-	48,638
Total liabilities	3,438,816	1,081,411	1,283,473	67,955	14,282	986	75,330	5,962,253
Fund balances:								
Reserved for:								
Supplemental levy purposes	1,216,301	-	-	-	-	-	-	1,216,301
Drainage warrants	-	-	-	-	-	-	(53,042)	(53,042)
Inventories	-	-	-	636,485	-	-	-	636,485
Prepaid expenses	114,905	-	6,616	56,875	-	-	-	178,396
Unreserved, reported in:								
General fund	2,040,123	-	-	-	-	-	-	2,040,123
Special revenue funds	-	(370,300)	280,014	470,326	634,121	-	225,306	1,239,467
Capital projects fund	-	-	-	-	-	243,249	-	243,249
Total fund balances	3,371,329	(370,300)	286,630	1,163,686	634,121	243,249	172,264	5,500,979
Total liabilities and fund balances	\$6,810,145	\$ 711,111	\$1,570,103	\$1,231,641	\$ 648,403	\$244,235	\$ 247,594	\$11,463,232

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Exhibit D

Total governmental fund balances	\$ 5,500,979
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$13,880,167 and the accumulated depreciation is \$3,943,211.	9,936,956
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	48,638
The allowance for uncollectible accounts receivable is not reported in the funds.	(20,816)
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	229,540
Compensated absences payable and drainage warrants payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(851,442)</u>
Net assets of governmental activities	<u>\$14,843,855</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

Exhibit E

	Special Revenue					Capital	Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Conservation Trust	Projects	Special Revenue	Total
Revenues:								
Property and other County tax	\$3,161,993	\$ 409,469	\$1,263,161	\$ -	\$ -	\$ -	\$ -	\$4,834,623
Interest and penalty on property tax	27,190	-	-	-	-	-	-	27,190
Intergovernmental	2,150,492	796,099	60,897	2,595,689	3,768	-	12,831	5,619,776
Licenses and permits	8,067	-	-	810	-	-	-	8,877
Charges for service	721,857	-	18,226	-	78,398	-	9,328	827,809
Use of money and property	327,390	-	-	-	-	-	116	327,506
Miscellaneous	22,750	279	1,040	38,014	12,437	-	70,067	144,587
Total revenues	6,419,739	1,205,847	1,343,324	2,634,513	94,603	-	92,342	11,790,368
Expenditures:								
Operating:								
Public safety and legal services	921,181	-	283,584	-	-	-	5,556	1,210,321
Physical health and social services	3,323,350	-	-	-	-	-	-	3,323,350
Mental health	-	1,172,381	-	-	-	-	-	1,172,381
County environment and education	454,505	-	127,263	-	-	-	8,829	590,597
Roads and transportation	1,017	-	40,811	3,365,458	-	-	-	3,407,286
Governmental services to residents	368,198	-	2,804	-	-	-	6,357	377,359
Administrative	851,997	-	1,279	-	-	-	-	853,276
Non-program	3,824	-	-	-	-	-	220,145	223,969
Capital projects	-	-	-	282,243	183,426	93,457	-	559,126
Total expenditures	5,924,072	1,172,381	455,741	3,647,701	183,426	93,457	240,887	11,717,665
Excess (deficiency) of revenues over expenditures	495,667	33,466	887,583	(1,013,188)	(88,823)	(93,457)	(148,545)	72,703
Other financing sources (uses):								
Sale of capital assets	1,212	-	-	2,310	-	-	-	3,522
Operating transfers in	-	-	-	915,694	-	155,000	-	1,070,694
Operating transfers out	(233,928)	-	(836,766)	-	-	-	-	(1,070,694)
Payment of drainage district warrants	-	-	-	-	-	-	(70,369)	(70,369)
Total other financing sources (uses)	(232,716)	-	(836,766)	918,004	-	155,000	(70,369)	(66,847)
Net change in fund balances	262,951	33,466	50,817	(95,184)	(88,823)	61,543	(218,914)	5,856
Fund balances, beginning of year	3,108,378	(403,766)	235,813	1,258,870	722,944	181,706	391,178	5,495,123
Fund balances, end of year	\$3,371,329	\$ (370,300)	\$ 286,630	\$1,163,686	\$ 634,121	\$243,249	\$172,264	\$5,500,979

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Exhibit F

Net change in fund balances - Total governmental funds \$ 5,856

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Governmental funds report capital outlays as expenditures while
 governmental activities report depreciation expense to allocate those
 expenditures over the life of the assets. Capital outlay expenditures and
 contributed capital assets exceeded depreciation expense in the current
 year as follows:

Expenditures for capital assets	\$ 970,119	
Capital assets contributed by Iowa Department of Transportation	491,439	
Depreciation expense	<u>(663,421)</u>	798,137

In the Statement of Activities, the gain on the disposition of capital assets
 is reported whereas the governmental funds report the proceeds from the
 sale as an increase in financial resources. 3,424

Because some revenues will not be collected for several months after the
 County's year end, they are not considered available revenues and are
 deferred in the governmental funds as follows:

Property tax	23	
Other	<u>5,794</u>	5,817

The decrease in the allowance for uncollectible accounts receivable is not
 reported in the fund financial statements. 2,036

Repayment of long-term liabilities is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the Statement
 of Net Assets.

Repaid	70,369
--------	--------

Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in governmental funds, as follows:

Compensated absences	3,294
----------------------	-------

The Internal Service Fund is used by management to charge the costs of
 employee health benefits to individual funds. The change in net assets of
 the Internal Service Fund is reported with governmental activities.

164,305

Change in net assets of governmental activities \$1,053,238

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

Exhibit G

Internal
Service-
Self
Funding
Insurance

ASSETS

Cash and cash equivalents	\$ 490,532
Accrued interest	<u>514</u>
Total assets	<u>491,046</u>

LIABILITIES

Accounts payable	150,000
Deferred revenue	<u>111,506</u>
Total liabilities	<u>261,506</u>

NET ASSETS

Unrestricted	<u>\$ 229,540</u>
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See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

Exhibit H

	Internal Service- Self Funding <u>Insurance</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,301,203
Payments from external customers	64,029
Insurance company refunds	<u>188,313</u>
Total operating revenues	1,553,545
Operating expenses:	
Medical claims and administrative fees	<u>1,400,812</u>
Operating income	152,733
Non-operating revenues:	
Interest on investments	<u>11,572</u>
Net income	164,305
Net assets beginning of year	<u>65,235</u>
Net assets end of year	<u>\$ 229,540</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

Exhibit I

Internal
Service-
Self
Funding
Insurance

Cash flows provided by operating activities:	
Cash received from employees and others	\$ 64,029
Cash received from insurance company reimbursements	188,313
Cash received from operating fund reimbursements	1,302,955
Cash payments for medical claims and administrative fees	<u>(1,400,811)</u>
Net cash provided by operating activities	154,486
Cash flows from investing activities:	
Interest on investments	<u>11,818</u>
Net increase in cash and cash equivalents	166,304
Cash and cash equivalents, beginning of year	<u>324,228</u>
Cash and cash equivalents, end of year	<u>\$ 490,532</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 152,733
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in deferred revenue	<u>1,753</u>
Net cash provided by operating activities	<u>\$ 154,486</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2007

Exhibit J

ASSETS

Cash and pooled investments:

County treasurer	\$ 465,838
Other county officials	33,498

Receivables:

Property tax:	
Delinquent	78,788
Succeeding year	8,232,641

Accounts	<u>37,936</u>
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Total assets	<u>8,848,701</u>
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LIABILITIES

Accounts payable	8,550
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Due to other governments	8,837,424
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Trusts payable	<u>2,727</u>
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Total liabilities	<u>8,848,701</u>
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Net Assets	<u>\$ -</u>
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See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Calhoun County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred sixty-nine drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Conservation Trust Fund is used to account for conservation activities including parks and trails.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005, assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Equipment	4-50
Vehicles	6-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Auditing Standards Board Statement Number 3.

The County's investments at June 30, 2007, include drainage district warrants with a carrying amount of \$83,876. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,682,408 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 78,928
	Special Revenue:	
	Rural Services	<u>836,766</u>
		915,694
Capital Projects	General	<u>155,000</u>
Total		<u>\$1,070,694</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 439,430	\$ 31,100	\$ -	\$ 470,530
Construction in progress	1,009,498	486,211	(361,738)	1,133,971
Total capital assets not being depreciated	<u>1,448,928</u>	<u>517,311</u>	<u>(361,738)</u>	<u>1,604,501</u>
Capital assets being depreciated:				
Buildings	1,399,855	112,284	-	1,512,139
Equipment and vehicles	7,381,070	474,359	(188,553)	7,666,876
Infrastructure, road network	2,302,062	794,589	-	3,096,651
Total capital assets being depreciated	<u>11,082,987</u>	<u>1,381,232</u>	<u>(188,553)</u>	<u>12,275,666</u>
Less accumulated depreciation for:				
Buildings	440,806	37,106	-	477,912
Equipment and vehicles	2,812,682	441,281	(116,730)	3,137,233
Infrastructure, road network	143,032	185,034	-	328,066
Total accumulated depreciation	<u>3,396,520</u>	<u>663,421</u>	<u>(116,730)</u>	<u>3,943,211</u>
Total capital assets being depreciated, net	<u>7,686,467</u>	<u>717,811</u>	<u>(71,823)</u>	<u>8,332,455</u>
Governmental activities capital assets, net	<u>\$9,135,395</u>	<u>\$1,235,122</u>	<u>\$(433,561)</u>	<u>\$ 9,936,956</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 31,779
Physical health and social services	5,698
County environment and education	20,725
Roads and transportation	537,728
Governmental services to residents	16,247
Administration	51,244
Total depreciation expense - governmental activities	<u>\$663,421</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General:	Services	\$ 2,799
Special Revenue:		
Mental Health	Services	121,733
Secondary Roads		299
Conservation Trust		85
		<u>122,117</u>
Total for governmental funds		<u>\$ 124,916</u>
Agency:		
County Assessor	Collections	\$ 319,173
Schools		5,388,206
Community Colleges		309,568
Corporations		2,178,508
Auto License and Use Tax		221,482
All other		<u>420,487</u>
Total for agency funds		<u>\$8,837,424</u>

6. CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2007, is as follows:

	<u>Drainage Warrants</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$492,195	\$366,349	\$858,544
Increases	-	63,267	63,267
Decreases	<u>(70,369)</u>	<u>-</u>	<u>(70,369)</u>
Balance, end of year	<u>\$421,826</u>	<u>\$429,616</u>	<u>\$851,442</u>
Due within one year	<u>\$ -</u>	<u>\$429,616</u>	<u>\$429,616</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

7. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$241,504, \$240,224, and \$231,003, respectively, equal to the required contributions for each year.

8. RISK MANAGEMENT

Calhoun County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007, were \$152,608.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

8. RISK MANAGEMENT - (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively, except that the treasurer's bond is in the amount of \$160,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. SELF FUNDING INSURANCE PLAN

The Internal Service, Self Funding Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions in the Self Funding Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Self Funding Insurance Fund. The County's contribution for the year ended June 30, 2007, was \$1,302,955.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

9. SELF FUNDING INSURANCE PLAN - (Continued)

Amounts payable from the Self Funding Insurance Fund at June 30, 2007, total \$150,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	<u>\$ 150,000</u>
Incurred claims (including claims incurred but not reported at June 30, 2007):	
Current year events	<u>1,400,811</u>
Total incurred claims	<u>1,400,811</u>
Payments:	
Current year events	1,250,811
Prior year events	<u>150,000</u>
Total payments	<u>1,400,811</u>
Unpaid claims end of year	<u>\$ 150,000</u>

10. E911 NOTE PAYABLE AND COUNTY GUARANTEE

During the year ended June 30, 2003, Calhoun County made a \$318,000 loan to the Calhoun County E911 Service Board. The ten year loan is interest free and is being paid off at a rate of \$35,000 (four quarterly payments of \$8,750) per year for each of the first nine years with the balance of \$3,000 to be paid during the tenth year. During the year ended June 30, 2007, the County received payments totaling \$35,000. The balance of the note on June 30, 2007, was \$151,750.

11. DEFICIT FUND BALANCE

The Special Revenue - Mental Health fund had a deficit balance of \$370,300 at June 30, 2007. The deficit balance was a result of accounts payable as of June 30, 2007.

12. DESIGNATED FUND BALANCE

The Board of Supervisors has designated \$300,000 from the Conservation Land Acquisition Fund fund balance and \$6,160 from the Resource Enhancement and Protection Fund fund balance for trail and campground development. In the Secondary Road Fund, \$455,743 is designated for the purchase of gravel and equipment. In the Capital Projects Funds, \$110,000 is designated for the purchase of a roof on the annex and a new generator for the Court House. In the general fund, \$6,847 is designated for a veterans program.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

13. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2007, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-07</u>	<u>Remaining Commitment As of 6-30-07</u>
Bridge replacement	\$290,802	\$275,392	\$ 15,410
Drainage district project	\$ 77,309	\$ -	\$ 77,309
Purchase of gravel	\$437,000	\$ -	\$437,000
Roof replacement for Annex 1	\$ 21,585	\$ -	\$ 21,585

The balance remaining at June 30, 2007, will be paid as work on the projects progresses.

14. FARM LEASE

The County has entered into an agreement to lease 236.5 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$37,503 per year for each of the three years of the lease with payments of \$12,501 being due on or before each March 15, August 15, and December 1, of 2005, 2006, and 2007. This agreement commenced on March 1, 2005, and will end on February 28, 2008.

15. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

15. JUVENILE DETENTION CENTER - (Continued)

The Center's activity for the fiscal year ending June 30, 2007, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$2,142,087
Receipts	2,249,989
Disbursements	<u>2,368,986</u>
Net assets, end of year	<u>\$2,023,090</u>

The Center has designated a portion of the net assets for future capital projects. The amount designated for this purpose totaled \$900,000 at June 30, 2007.

The Center has no short or long-term debt outstanding at June 30, 2007. Audited financial statements can be obtained from the administrative office of the center located in Eldora, Iowa.

16. OPERATING LEASE

Calhoun County leases digital imaging and client monitoring equipment for its public health department, which provides respite and supported community living services to clients over a six county area. Total expenses under these operating leases for the year ended June 30, 2007, was \$48,410. Future remaining payments under these leases at June 30, 2007, are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 55,889
2009	55,889
2010	45,607
2011	<u>1,403</u>
Total minimum lease payments	<u>\$158,788</u>

17. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

18. RELATED PARTY TRANSACTIONS

The County had business transactions between the County and County officials or employees totaling \$150,793 during the year ended June 30, 2007.

19. ACCOUNTING RESTATEMENT

Beginning net assets for governmental activities has been restated to reflect a change in capital assets and compensated absences. This restatement is summarized below.

Net assets, June 30, 2006, as previously reported	\$13,840,053
Restatement of beginning net assets	<u>(49,436)</u>
Restated net assets, June 30, 2006	<u>\$13,790,617</u>

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES - BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Actual	Less Funds Not Required to be Budgeted	Net	<u>Budgeted Amounts</u>		Final to Net Variance
				<u>Original</u>	<u>Final</u>	
Receipts:						
Property and other County tax	\$4,834,623	\$ -	\$ 4,834,623	\$ 4,846,744	\$ 4,846,744	\$ (12,121)
Interest and penalty on property tax	27,190	-	27,190	20,000	20,000	7,190
Intergovernmental	5,749,875	-	5,749,875	5,743,027	5,743,027	6,848
Licenses and permits	8,271	-	8,271	7,350	7,350	921
Charges for service	786,705	-	786,705	771,000	771,000	15,705
Use of money and property	335,477	-	335,477	175,795	175,795	159,682
Miscellaneous	176,261	69,880	106,381	128,300	135,300	(28,919)
Total receipts	11,918,402	69,880	11,848,522	11,692,216	11,699,216	149,306
Disbursements:						
Public safety and legal services	1,214,338	-	1,214,338	1,323,372	1,341,372	127,034
Physical health and social services	3,248,249	-	3,248,249	3,597,028	3,604,228	355,979
Mental health	1,133,579	-	1,133,579	1,134,050	1,134,050	471
County environment and education	589,537	-	589,537	595,763	604,263	14,726
Roads and transportation	3,599,833	-	3,599,833	3,630,145	3,630,145	30,312
Governmental services to residents	377,902	-	377,902	405,920	465,220	87,318
Administration	860,945	-	860,945	978,600	983,300	122,355
Non-program	256,405	252,581	3,824	7,925	7,925	4,101
Capital projects	549,447	-	549,447	729,000	754,000	204,553
Total disbursements	11,830,235	252,581	11,577,654	12,401,803	12,524,503	946,849
Excess (deficiency) of receipts over disbursements	88,167	(182,701)	270,868	(709,587)	(825,287)	1,096,155
Other financing sources, net	(66,847)	(70,369)	3,522	2,000	2,000	1,522
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	21,320	(253,070)	274,390	(707,587)	(823,287)	1,097,677
Balance beginning of year	4,867,575	438,141	4,429,434	3,581,858	3,581,858	847,576
Balance end of year	\$4,888,895	\$ 185,071	\$ 4,703,824	\$ 2,874,271	\$ 2,758,571	\$ 1,945,253

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$11,918,402	\$ (128,034)	\$ 11,790,368
Expenditures	<u>11,830,235</u>	<u>(112,570)</u>	<u>11,717,665</u>
Net	88,167	(15,464)	72,703
Other financing sources, net	(66,847)	-	(66,847)
Beginning fund balances	<u>4,867,575</u>	<u>627,548</u>	<u>5,495,123</u>
Ending fund balances	<u>\$ 4,888,895</u>	<u>\$ 612,084</u>	<u>\$ 5,500,979</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$122,700. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the E911 Service Board, and for Disaster Services by the Calhoun County Emergency Management Commission.

OTHER SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

Schedule I

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
<u>ASSETS</u>							
Cash and pooled investments	\$ 6,161	\$ 185,071	\$ 7,272	\$ 10,958	\$ 9,764	\$ 24,801	\$ 244,027
Receivables:							
Accrued interest	-	-	-	11	-	-	11
Accounts receivable	-	-	-	656	-	929	1,585
Due from other governments	1,971	-	-	-	-	-	1,971
Total assets	<u>\$ 8,132</u>	<u>\$ 185,071</u>	<u>\$ 7,272</u>	<u>\$ 11,625</u>	<u>\$ 9,764</u>	<u>\$ 25,730</u>	<u>\$ 247,594</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 11,781	\$ -	\$ -	\$ -	\$ -	\$ 11,781
Interest payable	-	63,549	-	-	-	-	63,549
Total liabilities	<u>-</u>	<u>75,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,330</u>
Fund balances:							
Reserved for drainage warrants	-	(53,042)	-	-	-	-	(53,042)
Unreserved	8,132	162,783	7,272	11,625	9,764	25,730	225,306
Total fund equity	<u>8,132</u>	<u>109,741</u>	<u>7,272</u>	<u>11,625</u>	<u>9,764</u>	<u>25,730</u>	<u>172,264</u>
Total liabilities and fund balances	<u>\$ 8,132</u>	<u>\$ 185,071</u>	<u>\$ 7,272</u>	<u>\$ 11,625</u>	<u>\$ 9,764</u>	<u>\$ 25,730</u>	<u>\$ 247,594</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

Schedule 2

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
Revenues:							
Intergovernmental	\$ 11,951	\$ -	\$ 880	\$ -	\$ -	\$ -	\$ 12,831
Charges for service	-	-	-	3,317	-	6,011	9,328
Use of money and property	-	-	-	116	-	-	116
Miscellaneous	-	69,880	-	-	-	187	70,067
Total revenues	11,951	69,880	880	3,433	-	6,198	92,342
Expenditures:							
Operating:							
Public safety and legal services	-	-	697	-	-	4,859	5,556
County environment and education	8,829	-	-	-	-	-	8,829
Government services to residents	-	-	-	6,357	-	-	6,357
Non-program	-	220,145	-	-	-	-	220,145
Capital projects	-	-	-	-	-	-	-
Total expenditures	8,829	220,145	697	6,357	-	4,859	240,887
Excess (deficiency) of revenues over expenditures	3,122	(150,265)	183	(2,924)	-	1,339	(148,545)
Other financing uses:							
Payment of drainage district warrants	-	(70,369)	-	-	-	-	(70,369)
Excess (deficiency) of revenues over expenditures and other financing uses	3,122	(220,634)	183	(2,924)	-	1,339	(218,914)
Fund balances beginning of year	5,010	330,375	7,089	14,549	9,764	24,391	391,178
Fund balances end of year	\$ 8,132	\$ 109,741	\$ 7,272	\$ 11,625	\$ 9,764	\$ 25,730	\$ 172,264

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2007

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash and pooled investments:										
County treasurer	\$ -	\$ 1,698	\$ 61,851	\$ 76,921	\$ 4,561	\$ 39,330	\$ 2,871	\$ 221,482	\$ 57,124	\$ 465,838
Other County officials	33,498	-	-	-	-	-	-	-	-	33,498
Receivables:										
Property tax:										
Delinquent	-	676	1,508	30,075	1,815	44,650	54	-	10	78,788
Succeeding year	-	113,993	256,252	5,281,210	303,192	2,094,528	181,896	-	1,570	8,232,641
Accounts	553	-	-	-	-	-	-	-	37,383	37,936
Total assets	<u>\$ 34,051</u>	<u>\$ 116,367</u>	<u>\$ 319,611</u>	<u>\$ 5,388,206</u>	<u>\$ 309,568</u>	<u>\$ 2,178,508</u>	<u>\$ 184,821</u>	<u>\$ 221,482</u>	<u>\$ 96,087</u>	<u>\$ 8,848,701</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,112	\$ 8,550
Due to other governments	31,324	116,367	319,173	5,388,206	309,568	2,178,508	184,821	221,482	87,975	8,837,424
Trusts payable	2,727	-	-	-	-	-	-	-	-	2,727
Total liabilities	<u>\$ 34,051</u>	<u>\$ 116,367</u>	<u>\$ 319,611</u>	<u>\$ 5,388,206</u>	<u>\$ 309,568</u>	<u>\$ 2,178,508</u>	<u>\$ 184,821</u>	<u>\$ 221,482</u>	<u>\$ 96,087</u>	<u>\$ 8,848,701</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

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	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Tot
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 37,723	\$ 115,612	\$299,061	\$5,232,195	\$ 311,765	\$ 2,203,666	\$ 175,040	\$ 223,896	\$ 137,189	\$8,736
Additions:										
Property and other County tax	-	113,566	255,309	5,262,463	302,050	2,115,363	181,443	-	1,564	8,231
E911 surcharge	-	-	-	-	-	-	-	-	111,143	111
State tax credits	-	6,158	13,735	279,700	16,538	170,939	8,793	-	96	495
Office fees and collections	250,683	-	-	-	-	-	-	-	-	250
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,762,440	-	2,762
Assessments	-	-	-	-	-	2,350	-	-	-	2
Trusts	68,907	-	-	-	-	-	-	-	-	68
Miscellaneous	608	-	76,069	-	-	-	-	-	120,852	197
Total additions	320,198	119,724	345,113	5,542,163	318,588	2,288,652	190,236	2,762,440	233,655	12,120
Deductions:										
Agency remittances:										
To other governments	253,313	118,969	324,563	5,386,152	320,785	2,313,810	180,455	2,764,854	274,757	11,937
Trusts paid out	70,557	-	-	-	-	-	-	-	-	70
Total deductions	323,870	118,969	324,563	5,386,152	320,785	2,313,810	180,455	2,764,854	274,757	12,008
Balances end of year	\$ 34,051	\$ 116,367	\$319,611	\$5,388,206	\$ 309,568	\$ 2,178,508	\$ 184,821	\$ 221,482	\$ 96,087	\$8,848

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

Schedule 5

	Modified Accrual Basis					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Property and other County tax	\$ 4,834,623	\$ 4,394,827	\$ 4,028,557	\$ 4,504,509	\$ 4,456,391	\$ 4,156,364
Interest and penalty on property tax	27,190	28,124	22,861	35,254	29,879	38,004
Intergovernmental	5,619,776	6,076,916	5,860,587	5,682,265	5,410,699	5,349,455
Licenses and permits	8,877	8,072	7,828	9,479	7,235	8,242
Charges for service	827,809	771,814	683,703	829,273	708,429	774,988
Use of money and property	327,506	267,324	165,447	127,201	155,856	179,681
Miscellaneous	144,587	446,893	313,523	921,505	511,811	360,928
Total	<u>\$ 11,790,368</u>	<u>\$ 11,993,970</u>	<u>\$ 11,082,506</u>	<u>\$ 12,109,486</u>	<u>\$ 11,280,300</u>	<u>\$ 10,867,662</u>
Expenditures:						
Operating:						
Public safety and legal services	\$ 1,210,321	\$ 1,150,588	\$ 1,374,782	\$ 1,127,485	\$ 1,108,275	\$ 1,026,952
Physical health and social services	3,323,350	3,199,600	3,287,599	3,442,855	3,359,161	3,335,317
Mental health	1,172,381	1,111,901	1,167,669	1,220,833	1,210,341	1,356,194
County environment and education	590,597	711,907	774,224	535,968	418,674	250,742
Roads and transportation	3,407,286	3,422,375	3,168,461	3,258,877	3,143,472	3,208,499
Governmental services to residents	377,359	367,729	325,891	303,527	256,362	243,536
Administration	853,276	815,228	812,006	823,195	763,239	695,371
Non-program	223,969	359,311	240,342	197,328	399,368	392,708
Capital projects	559,126	576,827	197,437	410,306	264,945	227,193
Total	<u>\$ 11,717,665</u>	<u>\$ 11,715,466</u>	<u>\$ 11,348,411</u>	<u>\$ 11,320,374</u>	<u>\$ 10,923,837</u>	<u>\$ 10,736,512</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Calhoun County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Calhoun County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Calhoun County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07, I-C-07, and I-D-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Calhoun County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Calhoun County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Calhoun County and other parties to whom Calhoun County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Calhoun County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 19, 2008

Hungelman, Putzier & Co.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-07 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--|--|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Auditor, Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - Auditor - All employees are cross-trained. We do alternate employees in various jobs. The mail is opened by the Auditor and distributed, and checks are all cashed promptly. There are four people involved in preparing, processing, reviewing, and mailing out checks. All checks are mailed promptly.

Treasurer - The Calhoun County Treasurer's Office is still trying to segregate duties. Different persons do open the mail on a daily basis but all employees process the mail. Employees take turns balancing the business at day's end. The County Treasurer did for a while keep a record of all mail coming in and the amounts of the checks. Due to the volume of mail received, that is not always a feasible concept. Unfortunately, due to the small size of our office, all duties are carried out by all

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

I-A-07 Segregation of Duties - (Continued)

Treasurer - (Continued)

persons. I will take note of these concerns and will try to make some adjustments as are feasible and possible. I can see some ways we may be able to make some progress for segregation.

Recorder - When it comes to duties within our office, I have myself and my deputy. We split all duties between us. My deputy needs to know most duties in case of my absence. I feel we do the best we can with only a two-person office. We do have the retired Recorder that comes in part-time to help. She mainly works with vital records and keeps filing and daily tasks up to date.

Sheriff -

1. This could be done by the sheriff most of the time. The sheriff has designated the chief deputy to sign checks and claims in the sheriff's absence and the chief deputy could fulfill this obligation also. The only problem is that if we start this, the chief deputy works a four-day on, two-day off schedule and this means that another deputy could be working while the sheriff and chief deputy are both absent. This would put too many people, especially those who do not know what is going on, in the position to handle the mail, cash, and checks.

2. This is impossible. The only way we could do this is to get someone from another office to come in and reconcile our accounts. The sheriff signs checks and also handles cash during the civil clerk's absence.

3. This is already being done except for the returning of the checks or warrants to the individual who prepared them. I suppose we could prepare the envelopes for the checks going out ahead of time and the sheriff could put the checks in the envelopes and seal them for mailing. The sheriff will discuss this with the civil clerk.

Conclusion - Responses accepted.

I-B-07 Approval of Time Sheets - We noted some time sheets which had no indication that they had been reviewed and approved prior to the preparation of the payroll.

Recommendation - Time sheets should be maintained for all County employees. Time sheets should be approved and initialed by the employee's supervisor or by an independent official who is not involved with payroll.

Response - Auditor - All time cards are reviewed, initialed, and kept of record. All vacation, comp, and sick leave earned and used are recorded in the computer with printouts provided to the employees. The Auditor's office maintains the records for the Auditor's Office, Custodial Department, and County Attorney's office manager.

Treasurer - The County Treasurer does look over each time sheet as it is presented to her for verification. I have begun initialing them as requested.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements: (Continued)

Approval of Time Sheets - (Continued)

Recorder - I am complying with the recommendation to approve time sheets before I turn them over to payroll.

Conclusion - Responses accepted.

- I-C-07 Financial Reporting - Reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - We have addressed this control risk by engaging certified public accountants to prepare the financial statements. We have also appointed persons with sufficient knowledge to evaluate the preparation of the financial statements, and we have reviewed and accepted the financial statements.

Conclusion - Response accepted.

- I-D-07 Cash and Investments Reconciliation - Cash and investments have not reconciled to the general ledger balance during the year ended June 30, 2007. The difference at June 30, 2007, is approximately \$3,200.

Recommendation - Reconciliations of cash and investments should be done at the end of every month and any variance should be thoroughly investigated until located.

Response - Cash and investments reconciliation is a matter that has given the County Treasurer much cause for stress. The new system has just as much room for error as ever. I have taken many steps this year to see that things are going better. The bank statements are reconciled every month to the daily sheets. Many variances are due to the transactions crossing over between months and even fiscal years. These variances cannot be fixed on the general ledger but normally balance themselves the next month.

Conclusion - The County should continue to work with the software company to resolve this issue.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2007.

II-B-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the medical examiner's department prior to the budget amendments.

Recommendation - The budget should be amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response - We will comply.

Conclusion - Response accepted.

II-C-07 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-07 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-E-07 Business Transactions - Business transactions between the County and a County official's spouse are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Howrey Construction, owned by the spouse of a County employee	Twin Lakes Bike trail	\$149,944
Brent Maguire, Secondary Road employee	Construction	\$ 275
Zehr's Auto, owned by the spouse of a County employee	Parts and repairs	\$ 574

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

Business Transactions - (Continued)

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Howrey Construction do not appear to be a conflict of interest since this project was competitively bid. The other transactions do not represent a conflict of interest as defined in Chapter 331.341 of the Code of Iowa since the total transactions were less than \$1,500 during the fiscal year.

II-F-07 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

II-G-07 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-H-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted. However, the County's investment policy states that the policy will be reviewed every two years, or more frequently, if necessary. It appears the policy has not been reviewed since February 1998.

Recommendation - The investment policy, in addition to all County policies, should be reviewed and approved periodically to ensure that they are in compliance with legal requirements and the intentions of County officials.

Response - The County Treasurer will submit a new policy to the Board of Supervisors for their approval at the beginning of the new fiscal year.

Conclusion - Response accepted.

II-I-07 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-J-07 County Extension Office - The County Extension office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from county operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007, for the County Extension office did not exceed the amount budgeted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-K-07 Financial Condition - The Mental Health Fund had a deficit balance at June 30, 2007, of \$370,300 using the modified accrual basis of accounting.

Recommendation - The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - As the CPC of Calhoun County, I am aware of the County's Mental Health deficit. I have been working diligently to address this since October of 2004. The accrual deficit has continued to decrease over the last three fiscal years. In fiscal year 2008, Calhoun County applied for Risk Pool Funds and was awarded \$47,529.12.

As the CPC, my recommendations for the future include the following:

1. Continue to levy at the maximum allowable dollar amount.
2. Continue to lobby legislators in an effort to receive more revenue from the state.
3. Continue to lobby legislators to change the existing law and allow counties the option to increase the levy amount, thus allowing all counties the ability to generate additional money through local property tax dollars.
4. Request that the Calhoun County Board of Supervisors consider a one-time transfer of dollars from the General Fund as permitted in law through House File 909.

In the meantime, Calhoun County will continue to monitor service provision, eligibility, and recipients to look for opportunities to decrease spending.

Conclusion - Response accepted.

- II-L-07 Excess Balance - The following funds have balances at June 30, 2007, in excess of one year's expenditures:

Special Revenue - Conservation Trust
Capital Projects

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the County has a specific plan for future expenditures. The County should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - Special Revenue - Conservation Trust - The dollars are appropriated to build a year-round shelter house with meeting room and storm shelter and parking lot at Twin Lakes.

Capital Projects - Replace windows in the courthouse. The custodial supervisor can no longer find replacement parts for the broken window latches.

Conclusion - Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-M-07 Public Bidder Property - There are properties in the County which currently owe approximately \$58,000 in delinquent property taxes. These properties are currently in "public bidder" status.

Recommendation - The Treasurer should confer with the County Attorney to determine appropriate remedies to settle these accounts.

Response - The public bidders properties situation has been addressed and some progress has been made. The County Attorney returned the paperwork to the County Treasurer and the Treasurer's office has worked on them as time has permitted. We have also been in contact with the Board of Supervisors regarding their wishes concerning this matter. We will continue to take action on this.

Conclusion - Response accepted.